

Training for Capacity Enhancement

Partner Payroll/Personnel Costs Verification



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For UNHCR



INTEGRITY



VERIFICATION



ACCURACY



ACCOUNTABILITY



Contents

1. OBJECTIVES.....	3
2. KEY NOTES ON PARTNER PERSONNEL COSTS (FROM UNHCR PROGRAMME HANDBOOK AND OTHER GUIDELINES).....	3
3. RISK ASSESSMENT OF PROJECT/PARTNER.....	4
4. UNDERSTANDING PERSONNEL COST RISKS.....	6
5. INTERNAL CONTROL ASSESSMENT	6
6. KEY CONTROLS / GOOD SYSTEMS AND PRACTICES.....	7
7. SAMPLING METHODOLOGY	11
8. PAYROLL / PERSONNEL COST FRAUD RED FLAGS (GENERAL LIST)	13
9. ANALYTICAL PROCEDURES.....	17
10. SUBSTANTIVE TESTING – GENERAL	21
11. SUBSTANTIVE TESTING – RISK BASED.....	23
12. SUBSTANTIVE TESTING – FRAUD RED FLAGS	25
13. FLOWCHART - STANDARD FRAUD ESCALATION PROCESS.....	26
14. PERSONNEL COST VERIFICATION – INTERVIEW QUESTIONNAIRE.....	27
15. RECOMMENDED FINAL SECTIONS.....	28
APPENDIX: TRANSACTIONS CONTROLS.....	29

CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

1. OBJECTIVES

- Strengthening UNHCR Country Offices and Partners capacity in reviewing personnel costs.
- Improving substantive testing and analytical review techniques.
- Strengthening risk-based sampling methodology and sample selection techniques for personnel cost verification.
- Detecting fraud, manipulation, ghost employees, and improper allocation.
- Reinforcing investigative procedures for suspected misconduct.

2. KEY NOTES ON PARTNER PERSONNEL COSTS (FROM UNHCR PROGRAMME HANDBOOK AND OTHER GUIDELINES)

- The Partner Personnel Costs are remunerated in accordance with the Partner's human resources policies, systems and procedures.
- UNHCR no longer requires Partner Personnel Lists to be annexed to Project Workplans/agreements. The Partner Personnel Costs remain a key focus area of implementation monitoring.
- The Partner does not charge more staff costs to a UNHCR-funded project than the amount defined in the human resources policies and staff employment contracts. If a Partner makes excessive payments to a staff member from UNHCR project funds, the excess amount is classified as an ineligible cost.
- The Partner is prohibited – for any reason - from coercing/forcing/requesting employees into paying back to the management (in cash or transfers) any portion of their received net salary and reporting it to UNHCR as an expenditure within personnel costs (Such amounts are not eligible and constitute attempted fraud and a breach of the agreement and may lead to termination of agreement due to misconduct). These practices should be reported immediately to UNHCR.
- All expenses claimed in the PFRs are those fully funded by UNHCR and cannot be reclaimed again to another donor for double funding. Expenditures charged to multiple donors are not eligible to UNHCR PFRs and constitute attempted fraud and a breach of the agreement and may lead to termination of agreement due to misconduct. These practices should be reported immediately to UNHCR.
- UNHCR operation can request a Partner to provide a breakdown of Partner Personnel charged to the project with each PFR in case the risk assessment during the development of the Project Workplan recommends this as an essential control measure. For that, the Partner can use the UNHCR provided template for Personnel List or preferably generated from the Partner's human resources system.
- Any PFR received from the Partner (govt, NGO, INGO) will have to be verified by the UNHCR operation before accepting the expenditures. Risk based selected projects will later be subject to audit.

“UNHCR introduced reforms in project/partner risk assessment procedures integrating risk management throughout the partnership management cycle by (i) establishing simple, objective and transparent criteria for the assessment of risk of different projects; and (ii) establishing objective and transparent controls to distinguish between high, significant, medium and low risk projects. These procedures also simplify budget development and management and include guidance on eligibility of expenditure”

CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

During PFR verifications:

- Partner must be able to establish that any expenditure included in the Project Financial Report (PFR) charged to a UNHCR-funded project **directly relates to the specific project and only funded by UNHCR and linked to services provided during the specific project implementation period**. Important to note that this is applicable even when the list of Partner personnel is provided during negotiation of budget.
- Subject to the above, the Partner may charge to the project: **salaries, allowances, insurance, termination benefits, end-of-service costs** and other costs that it is contractually obliged to pay to personnel who contribute to the delivery of the project (i.e., **these types of benefits should be mentioned in the employment contact and covered by the organization's HR policy and with relevant supporting document/evidence**). This may also include **overtime** provided that the overtime was incurred in carrying out project activities. The Partner may also charge the essential costs needed for that person's recruitment, posting and assignment (i.e., all costs related to supporting and maintaining a staff member in the field). This could, for example, include **work permits** and **visas**.
- Amounts charged to the project will have to be validly supported for verification and audit (supporting documents and/or policies, ...etc.).
- Where Partner personnel are working on multiple programmes/projects funded by other agencies and/or internal resources, only the actual time spent on implementation of the UNHCR-supported programme intervention is considered an eligible cost. Partners are expected to put in place an apportionment approach for the allocation of any shared costs (i.e., effective time sheet mechanism).
- Partners are expected to maintain an effective system of staff time monitoring/tracking. Traditional timesheets can be used. Alternatively, several technology-facilitated solutions exist today that we encourage Partners to take advantage of (e.g., Jibble, Hubstaff, Sheets, timecamp, or toogle track).

3. RISK ASSESSMENT OF PROJECT/PARTNER

1. **Relevant factors when deciding whether to apply standard controls or apply different controls include:**
 - The Partner risk scoring as per recent and applicable Internal Control Assessment (ICQ/ICA) that covers a period of 3 years.
 - The risk context to be considered as well, high levels of corruption in the country of operations and possible risk controls.
 - The significance/volume of staff costs in terms of number of staff and their budgeted amount as well as the implementer type (government, local or international NGOs).
 - Given that UNHCR has harmonized the ICQ/A template with the UN Agencies that apply the "micro-assessment" under "Harmonized Approach to Cash Transfers" (HACT), agencies such as UNICEF, UNFPA, UNWOMEN, UNDP. If such an assessment has been conducted in the last 3 years, its results will be applied by UNHCR.

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PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION**

2. Partners are permitted to make discretionary budget line transfers at the output level subject to the following:

- A Partner/project in the **high/significant** risk category will not charge more than **30%** of total output budget.
- A Partner/project in the **low /medium** risk category will not charge more than **50%** of total output budget.
- When the limits above are exceeded, a Project Workplan/Budget/agreement has to be amended.
- **Note:** there is no cap at the level of staff positions or at account code level and the 30% or 50% apply at the Output level. This means that payments to staff are defined by the time worked and additional benefits defined in employment contracts as per supporting evidence.

3. Project Verification Following the “Nature”, “Extent”, and “Timing” (NET) Approach

High/Significant-Risk Projects	Low/Medium-Risk Projects
N - <ul style="list-style-type: none"> ▪ Focus more on test of details ▪ Use external source of information (e.g., interviewing a sample of staff) 	N - <ul style="list-style-type: none"> ▪ Focus more on internal control assessment and analytical procedures ▪ Use internal source of information
E - Large sample size	E - Low sample size
T - Interim testing with a focus on year-end transactions	T - Interim testing

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PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION**

4. UNDERSTANDING PERSONNEL COST RISKS

Risk Area	Description	Impact
Ghost Employees	Non-existent employees included in payroll	Direct fraud
Double Charging	Same employee charged to multiple donors/projects	Ineligible cost
Salary Inflation	Artificially increasing salaries or allowances	Financial manipulation
Extortion/Kickbacks	Staff forced to return part of salary	Corruption
Fake Documentation	Forged contracts, attendance sheets, timesheets	Fraud concealment
Unauthorized Staff	Staff not approved under project budget	Non-compliance
Related Party Employment	Hiring relatives/friends without transparency	Conflict-of-interest
Excessive Allocation	Unrealistic donor allocation percentages	Overcharging donors
Non-working Staff	Staff paid without actual contribution	Misuse of funds
Manipulated Timesheets	Timesheets prepared retroactively	Allocation fraud
Incompetent Staff	Lack of required qualifications or experience	Poor-quality/Errors
Non-compliance with Tax and Social Security Deductions	Failure to properly deduct, remit, or report income tax and social security obligations	Legal penalties / Non-compliance

5. INTERNAL CONTROL ASSESSMENT

Recruitment Controls

- Vacancy announcements
- Competitive recruitment
- Interview evaluations
- Approval hierarchy

Payroll Controls

- HR prepares payroll
- Finance reviews payroll
- Management approval
- Bank transfer controls

Attendance Controls

- Attendance systems
- Supervisor's approval
- Leave reconciliation

Allocation Controls

- Allocation methodology
- Time distribution
- Donor percentage approvals

Segregation of Duties

- HR ≠ Payroll ≠ Payment ≠ Accounting

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PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION**

6. KEY CONTROLS / GOOD SYSTEMS AND PRACTICES

HR & Payroll Questionnaire (Internal Control Assessment)

#	Question	Yes	No
1	Does the Organization have <u>separate HR department</u> ?		
2	Is there an <u>organizational chart</u> for HR department?		
3	Is there a <u>formal recruiting process</u> ?		
4	Are <u>vacant positions widely advertised</u> ?		
5	Are the selected candidates appointed to roles in a <u>competitive and transparent way</u> , that is documented and filed?		
6	Are <u>background checks</u> carried out on potential new recruits, and the results documented and filed?		
7	Is there a standard <u>job application form</u> ?		
8	Are there procedures in place to validate the candidate's <u>work experience and educational certificates</u> ?		
9	Does the Organization maintain <u>one signed employment contract</u> for each employee covering the total gross salary and benefits, <u>rather than issuing separate contracts for each project or donor</u> ?		
10	Are employment contracts <u>signed and acknowledged by both the employee and the authorized representative</u> of the Organization?		
11	Have <u>key positions been filled throughout the last three years</u> (or with only limited gaps between new appointments), without evidence of regular turnover of the same positions?		
12	Are <u>changes to payroll master file</u> (main centralized payroll database or record that contains the permanent and key payroll-related information for all employees used to process salaries and payroll transactions) <u>properly authorized</u> and formally documented?		
13	Are <u>changes to payroll master file reviewed</u> by an employee independent from the payroll function to verify whether changes were properly authorized?		
14	Are there <u>access controls over the payroll master file</u> ?		
15	Are documents that support <u>changes to payroll master file</u> maintained in the employee's record?		
16	Are <u>changes to payroll master file</u> processed only after HR approving them?		
17	Is there a <u>formally documented process to add/delete new positions</u> ?		
18	Is there a formal process for <u>changing employee's pay rate</u> ?		
19	<u>Key changes</u> such as employees, changes to bank accounts details, changes to salary bases and terminations are checked against source documentation?		
20	Are policy and procedural changes <u>communicated to employees</u> ?		
21	Are procedures in place to ensure that, when staff leave employment with the Organization, they are <u>removed from the payroll (master file)</u> after receipt of the final salary due, are <u>required to return any equipment belonging to the Organization</u> , and have <u>any access rights to in-house systems terminated</u> ?		
22	Are there sufficient <u>job descriptions</u> for the various roles within the Organization, and the minimum expected requirements (i.e., education, experience) required for each?		
23	Are <u>organizational charts and job descriptions reviewed by senior management</u> on a periodic basis to determine whether responsibilities assigned are still appropriate?		
24	Are there written & approved <u>HR policies and procedures</u> for hiring, termination, compensation, promotions, salary increments, disciplinary system and exit meeting?		
25	Is HR policies and procedures <u>manual available</u> to all staff?		
26	Formal <u>policies and procedures have been established for the payroll function</u> (in the finance manual)?		
27	Are there <u>segregation of duties</u> between the maintenance of payroll data (HR Department) review (Payroll/Accounting Department) and the approval of payroll payments (Treasury)?		
28	Does the Organization prepare <u>separate payroll allocation records (monthly payroll sheet) for each project</u> , in addition to the <u>consolidated monthly payroll sheet for all staff</u> ?		

CAPACITY ENHANCEMENT PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

29	Are the monthly payroll calculations sheet reviewed by an employee other than the preparer?		
30	Is there a formal reconciliation among GL, monthly payroll calculations sheet, and payroll disbursement/payment file?		
31	Are payroll journal entries approved by the finance manager?		
32	Are there analytical procedures performed to investigate any unusual fluctuations in payroll? Is such a review formally documented?		
33	Are there monitoring controls to ensure that payroll is prepared on a timely basis ?		
34	Is there more than one employee in the payroll function that can process and prepare the payroll ?		
35	Are there formal procedures in place to ensure that tax deductions are properly calculated and paid to the tax department on a timely basis ?		
36	Are there monitoring controls in place to ensure that social security deductions are consistent with the country social security Law ?		
37	Are there formal procedures in place to ensure that social security deductions are paid to the social security department on a timely basis ?		
38	Are there any wages/salaries that are paid in cheques or bank transfer, instead of cash ?		
39	If there any wages/salaries that are paid in cash ? will these employees be required to sign a receipt voucher ?		
40	Does the Organization maintain personnel files for all employees ?		
41	Are payslips issued to all employees on a regular basis and acknowledged/signed by staff as evidence of receipt?		
42	Does the Organization pay overtime ?		
43	Does the Organization have procedures in place to ensure that overtime hours are approved by employees' supervisors?		
44	Does the Organization perform any benchmarking studies to ensure that benefits and compensation packages are consistent with market rates to assess reasonableness?		
45	Does the Organization have a formal human resources plan ? If so, is such a plan formally documented?		
46	Does the finance team contain a sufficient number of suitably experienced staff, so that team members are competent to perform the tasks assigned to them, and with sufficient segregation of duties?		
47	Is there a formal process for performance appraisal ?		
48	Does the Organization provide sufficient training opportunities to its staff? Does it have annual training plan ?		
49	Is there a special salaries (payroll) automated system ?		
50	Are there formal disciplinary (attendance) policies and procedures ?		
51	Is employee's attendance monitored by HR department ?		
52	Time and attendance are reviewed and approved to ensure accuracy and validity of hours worked?		
53	Does the Organization maintain a formal timesheet process , whether manual or automated, for recording staff time and project allocations?		
54	Does the Organization prepare one consolidated timesheet per employee covering all projects/activities worked on during the period, rather than separate timesheets for each project?		
55	Are timesheets reviewed and approved by the appropriate supervisors before payroll processing and donor allocation?		
56	Are timesheets prepared timely by employees and supported by actual work performed on the related projects/activities?		
57	Are employees' satisfactions surveys being conducted on a periodic basis?		
58	Does the Organization have a clear set of policies concerning the expected conduct of its staff, and procedures to follow up on allegations of misconduct? If so, is there a fraud hotline ?		
59	Does the Organization have an anti-fraud and anti-corruption policy that is readily accessible to all staff?		
60	Is it clear to whom staff should report concerns about suspected fraud, corruption or other malpractice, and are procedures in place to protect staff from potential retaliation as a result?		
61	Does the Organization have policies and procedures to help prevent discrimination on the basis of gender?		
62	Are there formal strategies for motivating Organization employees (i.e., employee recognition)?		

CAPACITY ENHANCEMENT PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

Notes:

- You have to consider the **size and capacity** of the Organization
- Negative responses (“No” answers) in the questionnaire above indicate **weaknesses in the control environment** and **increase the risk** of fraud, payroll manipulation, unauthorized payments, unsupported donor allocations, non-compliance, and financial misstatements. As a result, the assessed control risk increases from **medium** to **high** depending on the significance of the weakness, requiring the reviewer to expand substantive procedures such as detailed payroll testing, verification of employee existence and qualifications, review of supporting HR documentation, recalculation of payroll and allocations, inspection of approvals, validation of attendance and timesheets, and performance of additional analytical and fraud-related procedures.

Area with “No” Answer	Potential Risk / Control Weakness	Impact on Risk Level	Sample of Substantive Procedures
No separate HR department	Weak segregation of duties	High	Review payroll preparation/approval process, test unauthorized changes
No formal recruitment process	Risk of favoritism or ghost employees	High	Verify recruitment files, compare CVs with qualifications, interview staff
Vacancies not advertised	Non-transparent hiring	Medium/High	Review hiring justification and approval documents
No background checks	Hiring unqualified/fraudulent staff	High	Inspect employee credentials and references
No documented approval for hiring/salary changes	Unauthorized payroll changes	High	Trace salary changes to approvals and contracts
No job descriptions	Undefined responsibilities	Medium	Review actual duties vs payroll allocation
No HR policies/manual	Inconsistent HR practices	Medium/High	Perform extended compliance testing
Weak segregation of duties in payroll	Payroll manipulation risk	High	Recalculate payroll, review audit trail and user access
Changes not supported by source documents	Fake employees/salary changes	High	Test employee amendments against contracts and HR forms
Personnel files incomplete	Unsupported employees	High	Inspect files for IDs, contracts, qualifications
No overtime approval	Unauthorized overtime payments	Medium/High	Recalculate overtime and inspect supervisor approvals
No performance appraisal process	Poor staff accountability	Medium	Assess competency and actual work outputs
No training opportunities	Incompetent staff risk	Medium	Review staff qualifications and work quality
No attendance monitoring	Risk of non-working staff	High	Match attendance with payroll and project activities
No validation of certificates/experience	Fake qualifications	High	Verify certificates and prior employment
No anti-fraud policy or hotline	Fraud may remain undetected	High	Increase fraud-related testing and inquiries
No signed payslips	Staff may deny salary receipt	High	Obtain alternative acknowledgment or bank transfer evidence
No formal timesheet process	Unsupported donor allocations	High	Reperform allocation calculations and verify actual activities
Timesheets not approved	Manipulated allocations	High	Inspect supervisor approvals and supporting evidence

CAPACITY ENHANCEMENT PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

Manual timesheet system without controls	Increased manipulation risk	High	Test samples for alteration, sequence gaps, duplicate entries
No automated payroll/timesheet controls	Higher human error and override risk	Medium/High	Perform detailed recalculations and data analytics
No procedures for terminated staff	Ghost employee risk	High	Review leavers list and compare them to payroll. Contact former staff
No conflict-of-interest controls	Related party hiring risk	Medium/High	Review employee relationships and procurement links

- Based on the responses (Yes/No) above (HR & Payroll Questionnaire), the Organization's internal controls over the HR and payroll cycle can be assessed to determine the **nature, timing, and extent** of substantive audit procedures to be performed (being one of the key **inputs** into the **sampling methodology** described below), based on the following steps:

Step 1 - Assign Weight per Question

Classify controls into 3 categories:

Risk Level of Control	Weight
High-Risk Control	3
Medium-Risk Control	2
Low-Risk / Administrative	1

Examples

High-risk:

- Payroll master file changes
- Segregation of duties
- Timesheet approval
- Tax/social security compliance
- Employment contracts
- Payroll reconciliations
- Anti-fraud controls

Medium-risk:

- Recruitment process
- Training
- Performance appraisal
- Attendance monitoring

Low-risk:

- Employee satisfaction surveys
- HR organizational chart
- Benchmarking studies

Step 2 - Suggested Equation

Control Risk Score (%)

$$\text{Risk Score} = \frac{\sum(\text{Weight of "No" Answers})}{\sum(\text{Total Applicable Weights})} \times 100$$

Interpretation

Risk Score	Risk Level	Review Impact
0% - 15%	Low Risk	Limited substantive testing
16% - 35%	Moderate Risk	Moderate substantive procedures
36% - 60%	Significant Risk	Extended substantive testing
Above 60%	High Risk	Intensive testing + fraud-focused procedures

Suppose:

- Total applicable weighted score = 120
- "No" answers total weighted score = 42

Then:

$$\frac{42}{120} \times 100 = 35\%$$

Result → Moderate Risk

Recommended Enhancement (Best Practice)

You may also classify some controls as **Critical Controls**: Segregation of duties / Payroll master file access / Timesheet approval Payroll reconciliation / Anti-fraud policy / Employee existence verification

If any critical control = "No": Automatically increase overall risk by one level

Example:

- Calculated risk = Moderate
- But segregation of duties = No
→ Final risk = Significant

7. SAMPLING METHODOLOGY

7.1 Recommended Sampling Approaches

Method	Use
Risk-based sampling	High-risk employees
Random sampling	General coverage
Stratified sampling	Different salary categories
Targeted sampling	Suspicious transactions
Judgmental sampling	Key personnel

7.2 Brief – Random Sampling Selection Using Excel

Random sampling units can be selected in **Excel** by assigning a random number to each transaction or employee within the population and then sorting the list based on these random numbers. The reviewer first prepares the population (e.g., payroll transactions or employee list), adds a new column using the Excel formula =RAND(), and copies the formula down for all records. Excel will generate random values between 0 and 1 for each item. The reviewer then sorts the entire population **from smallest to largest** based on the random number column and selects the required sample size from the top of the sorted list. This method helps ensure **unbiased** and random selection of sampling units in accordance with audit sampling principles.

Example:

Suppose the reviewer wants to select a random sample of **5 employees** from a payroll population of 20 employees.

Employee ID	Employee Name	Monthly Salary	Random Number
EMP001	Ahmad	1,200	0.9366
EMP002	Sara	1,500	0.5016
EMP003	Ali	1,350	0.6357
EMP004	Lina	1,400	0.5895
EMP005	Omar	1,250	0.3754
EMP006	Noor	1,600	0.2775
EMP007	Huda	1,450	0.2896
EMP008	Sami	1,300	0.6006
EMP009	Hassan	1,400	0.1416
EMP010	Rami	1,450	0.5406
EMP011	Nisreen	1,380	0.0607
EMP012	Mazen	1,500	0.8831
EMP013	Rami	1,600	0.1261
EMP014	Nabeel	1,550	0.8831
EMP015	Fadi	1,400	0.0087
EMP016	Musa	1,250	0.2024
EMP017	Farah	1,350	0.3576
EMP018	Sima	1,300	0.2681
EMP019	Suzan	1,100	0.9927
EMP020	Michael	1,700	0.5834

Steps:

1. Prepare the payroll population in Excel.
2. Insert a new column called "Random Number".
3. Use the formula: =RAND().
4. Copy the formula for all employees.
5. Sort the table from *smallest to largest* based on the "Random Number" column.
6. Select the first required sample units.

Example of Selected Sample After Sorting

Employee ID	Employee Name	Monthly Salary	Random Number
EMP015	Fadi	1,400	0.0087
EMP011	Nisreen	1,380	0.0607
EMP013	Rami	1,600	0.1261
EMP009	Hassan	1,400	0.1416
EMP016	Musa	1,250	0.2024

CAPACITY ENHANCEMENT PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

7.3 Practical Sampling Methodology for Personnel Costs Verification

Steps	Explanation	Example																																										
Step 1: Define Population	Population = Total personnel transactions or employees charged to the UNHCR project	<ul style="list-style-type: none"> Total employees charged to project: 120 Total payroll cost: US\$ 850,000 																																										
Step 2: Assess Key Inputs	<p>Sampling Inputs</p> <table border="1"> <thead> <tr> <th>Factor</th> <th>Low Risk</th> <th>Medium Risk</th> <th>High Risk</th> </tr> </thead> <tbody> <tr> <td>Internal controls*</td> <td>Strong</td> <td>Moderate</td> <td>Weak</td> </tr> <tr> <td>Prior audit findings</td> <td>None</td> <td>Some</td> <td>Significant</td> </tr> <tr> <td>Fraud allegations</td> <td>No</td> <td>Limited</td> <td>Yes</td> </tr> <tr> <td>Cash payments</td> <td>No</td> <td>Partial</td> <td>Significant</td> </tr> <tr> <td>Multiple donor allocations</td> <td>Limited</td> <td>Moderate</td> <td>Extensive</td> </tr> <tr> <td>Documentation quality</td> <td>Complete</td> <td>Partial</td> <td>Weak</td> </tr> </tbody> </table> <p>* See above (page 6)</p>	Factor	Low Risk	Medium Risk	High Risk	Internal controls*	Strong	Moderate	Weak	Prior audit findings	None	Some	Significant	Fraud allegations	No	Limited	Yes	Cash payments	No	Partial	Significant	Multiple donor allocations	Limited	Moderate	Extensive	Documentation quality	Complete	Partial	Weak	<p>Example Risk Assessment</p> <table border="1"> <thead> <tr> <th>Area</th> <th>Risk</th> </tr> </thead> <tbody> <tr> <td>Weak timesheets</td> <td>High (3)</td> </tr> <tr> <td>Payroll internal controls</td> <td>Medium (2)</td> </tr> <tr> <td>Fraud allegations</td> <td>High (3)</td> </tr> <tr> <td>Multiple donor allocations</td> <td>High (3)</td> </tr> <tr> <td>Staff files</td> <td>Medium (2)</td> </tr> <tr> <td>Total Risk Score</td> <td>13</td> </tr> </tbody> </table>	Area	Risk	Weak timesheets	High (3)	Payroll internal controls	Medium (2)	Fraud allegations	High (3)	Multiple donor allocations	High (3)	Staff files	Medium (2)	Total Risk Score	13
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Risk Level	Suggested Random Sample																																											
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Multiple donor allocation	+5%																																											
Step 5: Apply Materiality & Fraud Adjustments	<p>Adjustment Factors (Risk Adjustment)</p> <table border="1"> <thead> <tr> <th>Condition</th> <th>Increasing Sample By</th> </tr> </thead> <tbody> <tr> <td>Fraud allegations</td> <td>+15%</td> </tr> <tr> <td>Cash payroll payments</td> <td>+10%</td> </tr> <tr> <td>Multiple donor allocations</td> <td>+5%</td> </tr> <tr> <td>Prior significant findings</td> <td>+10%</td> </tr> </tbody> </table> <p>Final Sampling Equation Final Sample % = Base Sample % + Risk Adjustments</p>	Condition	Increasing Sample By	Fraud allegations	+15%	Cash payroll payments	+10%	Multiple donor allocations	+5%	Prior significant findings	+10%																																	
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8. PAYROLL / PERSONNEL COST FRAUD RED FLAGS (GENERAL LIST)

8.1 Employee Existence Red Flags (Ghost Employees)

Red Flag	Risk
Employee cannot be physically located (during the review process)	Ghost employee
Employee unavailable for interview	Fictitious employee
Lack of contact information for the staff	Fictitious employee
Beneficiaries do not recognize staff	Staff not working on project
No evidence of work output	Fake employee
No organizational email/activity	Non-existent employee
Missing personnel file	Unauthorized employee
No signed contract	Fake employment
Same bank account used by multiple employees	Ghost payroll scheme
Same phone number/address for multiple employees	Related fictitious staff
Sequential employee IDs	Artificial staff creation
Duplicate national IDs/passport numbers	Fake identities
Staff paid after resignation	Payroll manipulation
Resigned staff signing later documents	Forged documentation
Missing attendance records	Employee may not exist
Employee unknown to supervisors and other staff	Ghost employee
Staff photo missing from HR file	Weak identity verification

8.2 Payroll Processing Red Flags

Red Flag	Risk
Payroll prepared by finance only	Weak segregation of duties
Payroll lacks approvals	Unauthorized payroll
Payroll prepared manually outside system	Manipulation risk
Frequent payroll adjustments	Fraud concealment
Round salary figures	Artificial payroll
Duplicate payroll entries	Double payment
Unusual payroll spikes	Inflation/manipulation
Salaries increased before project closure	Budget absorption
Negative payroll balances	Manipulated records
Payroll processed during holidays/weekends	Unauthorized activity
Payroll reprocessed multiple times	Fraud risk
Payroll changes not supported	Unauthorized modifications
Retroactive salary adjustments	Manipulation
Unusual bonuses/allowances	Hidden compensation

CAPACITY ENHANCEMENT PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

8.3 Bank Payment Red Flags

Red Flag	Risk
Duplicate bank accounts	Multiple salaries controlled by one person
Sequential bank accounts	Potential fabricated staff
Cash salary payments	Weak audit trail
Third-party bank accounts used	Diversion risk
Salaries withdrawn immediately after payment	Possible kickback/extortion
Payroll transfers reversed	Fake payments
Payroll paid from personal accounts	Weak controls
Multiple employees using same branch/account pattern	Organized fraud
No evidence of salary transfer	Unsupported payroll
Cheques not crossed/"First beneficiary only"	Unauthorized encashment
Missing cheque copies	Concealed fraud
Payroll payments split into small transfers	Concealment

8.4 Tax & Social Security Red Flags

Red Flag	Risk
No tax deduction	Ghost employee/off-book payroll
No social security deduction	No social security deduction
Tax deducted but not remitted	Tax deducted but not remitted
Tax deducted but not remitted	Cash diversion
Employees not registered with authorities	Unauthorized staff
Inconsistent deduction calculations	Manipulation
Payroll taxes unusually low	Underreporting
Missing tax filings	Fraud/non-compliance
Fake tax receipts	Forged documentation

8.5 Timesheet & Attendance Red Flags

Red Flag	Risk
Timesheets completed retroactively	Manipulation
Identical timesheets every month	Fabricated allocations
Same handwriting on all timesheets	Forgery
Supervisor signs all timesheets at once	Weak review
Timesheets not aligned with project activities	False allocation
Employee allocated above 100% across donors	Double charging
Missing attendance sheets	Unsupported payroll
Manual attendance sheets only	Manipulation risk
No leave records	Ghost employee
Attendance inconsistent with payroll	Fake work evidence
Timesheets signed after resignation	Forged records
Weekend/public holiday work without justification	Fake overtime

CAPACITY ENHANCEMENT PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

8.6 Recruitment & HR Red Flags

Red Flag	Risk
No recruitment process	Favoritism/fraud
Missing interview records	Manipulated hiring
Missing CVs/certificates	Fake qualifications
Same family names as management	Conflict of interest
Immediate hiring without competition	Preferential treatment
No job descriptions	Weak accountability
No probation evaluation	Weak HR controls
Missing performance evaluations	No evidence of work
Frequent staff turnover	Payroll instability/fraud
Employees overqualified for role	Hidden relationships
Recruitment before donor approval	Unsupported costs
Backdated contracts	Manipulation

8.7 Allocation & Donor Charging Red Flags

Red Flag	Risk
Employee charged to multiple donors	Double charging
Allocation percentages exceed 100%	Fraud
Allocation based on budget instead of actual work	Manipulation
No allocation methodology	Unsupported costs
Shared staff without supporting timesheets	Ineligible charges
Allocation percentages identical monthly	Artificial distribution
Significant year-end allocation increases	Budget absorption
High allocation to inactive projects	Unsupported charging
Staff charged despite project delays	False claims

8.8 Overtime & Allowance Red Flags

Red Flag	Risk
Excessive overtime	Payroll inflation
Same overtime every month	Artificial claims
Overtime without approvals	Unauthorized payment
Allowances inconsistent with policy	Manipulation
Unusual hardship/travel allowances	Fraud
Per diem paid without travel evidence	Fake activity
Duplicate allowances	Double payment
Unusually high incentive payments	Misappropriation

CAPACITY ENHANCEMENT PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

8.9 Document & Signature Red Flags

Red Flag	Risk
Same signature style across employees	Forgery
Different signatures for same employee	Fake documents
Photocopied signatures	Manipulation
Missing original documents	Concealed fraud
Edited/scanned documents	Alteration
Inconsistent dates	Backdating
Same handwriting across HR files	Fabrication
Different fonts/formats within same document	Manipulation
Electronic signatures without policy	Unauthorized approval

8.10 Behavioral & Investigative Red Flags

Red Flag	Risk
Staff hesitant during interviews	Fear/extortion
Employees unaware of salary amount	Manipulation
Employees unable to explain duties	Fake employment
HR refuses access to records	Concealment
Delays in providing documents	Possible fraud
Excessive management involvement in audit	Interference
Staff coached before interviews	Concealed misconduct
Complaints from former staff	Extortion/fraud
Anonymous allegations	Potential misconduct
Management discourages direct staff contact	Concealment

8.11 Data Analytics Red Flags

Red Flag	Risk
Duplicate IBANs	Ghost employees
Duplicate phone numbers	Related identities
Duplicate addresses	Shared/fictitious staff
Sequential IDs/accounts	Artificial creation
Benford's Law anomalies	Fabricated amounts
Unusual payroll trends	Manipulation
Payroll spikes near project closure	Budget exhaustion
Employees with identical salaries	Artificial payroll
Large number of manual journal entries	Override risk

CAPACITY ENHANCEMENT PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

8.12 Operational Red Flags

Red Flag	Risk
Staffing inconsistent with project scale	Overstaffing
Staff located outside implementation area	Unsupported activity
Employees inactive during peak periods	Fake staffing
No evidence of deliverables	Unsupported payroll
Payroll costs disproportionate to outputs	Inefficiency/fraud
High admin ratio	Misallocation
Staff roles unrelated to project	Ineligible cost

9. ANALYTICAL PROCEDURES

These are the key **analytical procedures** that could be performed over personnel costs. They are practical, investigation-oriented, and highly useful for detecting:

- Ghost employees;
- Double charging;
- Payroll manipulation;
- Allocation fraud;
- Salary inflation; and
- Unusual trends.

1. Payroll Trend Analysis	Red Flags	Example																				
<p>Objective: Identify unusual fluctuations in payroll expenses over time.</p> <p>Procedure: Compare monthly:</p> <ul style="list-style-type: none"> ▪ Total payroll expenses; ▪ Number of employees; ▪ Overtime; ▪ Allowances; and ▪ Deductions. 	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Red Flag</th> <th style="width: 50%;">Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Significant increase in payroll</td> <td>Ghost employees / inflation</td> </tr> <tr> <td>Payroll spike near project closure</td> <td>Budget absorption</td> </tr> <tr> <td>Sudden overtime increase</td> <td>Payroll manipulation</td> </tr> <tr> <td>Increase without operational justification</td> <td>Unsupported costs</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Significant increase in payroll	Ghost employees / inflation	Payroll spike near project closure	Budget absorption	Sudden overtime increase	Payroll manipulation	Increase without operational justification	Unsupported costs	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 33%;">Month</th> <th style="width: 33%;">Payroll</th> </tr> </thead> <tbody> <tr> <td>January</td> <td>45,000</td> </tr> <tr> <td>February</td> <td>46,000</td> </tr> <tr> <td>March</td> <td>44,500</td> </tr> <tr> <td>December</td> <td>79,000</td> </tr> </tbody> </table> <p>Risk: Artificial increase before project closure.</p>	Month	Payroll	January	45,000	February	46,000	March	44,500	December	79,000
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<p>2. Headcount Analysis</p> <p>Objective: Compare employee numbers over time.</p> <p>Procedure: Analyze:</p> <ul style="list-style-type: none"> ▪ Number of active staff monthly; ▪ Hires vs resignations; and ▪ Staffing changes by department/project. 	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Red Flag</th> <th style="width: 50%;">Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Sudden increase in staff</td> <td>Fake employees</td> </tr> <tr> <td>High turnover</td> <td>Weak HR controls</td> </tr> <tr> <td>Staff added near year-end</td> <td>Budget utilization manipulation</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Sudden increase in staff	Fake employees	High turnover	Weak HR controls	Staff added near year-end	Budget utilization manipulation													
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CAPACITY ENHANCEMENT PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

<p>3. Payroll-to-Budget Analysis</p> <p>Objective: Compare actual payroll expenses with approved budget.</p> <p>Procedure: Compare:</p> <ul style="list-style-type: none"> ▪ Actual payroll; ▪ Approved budget; and ▪ Variance percentage. <p>Formula: Variance % = (Actual - Budget) ÷ Budget × 100</p>	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Significant overspending</td> <td>Unauthorized payroll</td> </tr> <tr> <td>Budget fully utilized exactly</td> <td>Artificial charging</td> </tr> <tr> <td>Significant unexplained variance</td> <td>Weak controls</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Significant overspending	Unauthorized payroll	Budget fully utilized exactly	Artificial charging	Significant unexplained variance	Weak controls	
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<p>4. Payroll-to-Activity Analysis</p> <p>Objective: Assess whether payroll costs are reasonable compared to project activities.</p> <p>Procedure: Compare:</p> <ul style="list-style-type: none"> ▪ Staffing levels; ▪ Beneficiaries served; ▪ Project outputs; and ▪ Implementation progress. 	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>High payroll with low activities</td> <td>Fake staffing</td> </tr> <tr> <td>Low implementation but high staffing</td> <td>Unsupported payroll</td> </tr> <tr> <td>Excessive admin staff</td> <td>Misallocation</td> </tr> </tbody> </table>	Red Flag	Possible Risk	High payroll with low activities	Fake staffing	Low implementation but high staffing	Unsupported payroll	Excessive admin staff	Misallocation	
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<p>5. Salary Reasonableness Analysis</p> <p>Objective: Identify unusual salary amounts.</p> <p>Procedure: Compare:</p> <ul style="list-style-type: none"> ▪ Salaries between similar positions; ▪ Salaries to prior year; and ▪ Salaries to market rates. 	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Unusually high salaries</td> <td>Inflated payroll</td> </tr> <tr> <td>Same salaries for all employees</td> <td>Artificial payroll</td> </tr> <tr> <td>Large unexplained salary increases</td> <td>Fraud/manipulation</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Unusually high salaries	Inflated payroll	Same salaries for all employees	Artificial payroll	Large unexplained salary increases	Fraud/manipulation	
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<p>6. Duplicate Data Analysis</p> <p>Objective: Detect ghost employees and related-party fraud.</p> <p>Procedure: Use Excel/Data Analytics to identify:</p> <ul style="list-style-type: none"> ▪ Duplicate bank accounts; ▪ Duplicate phone numbers; ▪ Duplicate names/families; ▪ Sames families with BOD/top management; ▪ Duplicate addresses; and ▪ Duplicate national IDs. 	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Same IBAN for multiple staff</td> <td>Ghost employees</td> </tr> <tr> <td>Same phone numbers</td> <td>Fake identities</td> </tr> <tr> <td>Duplicate IDs</td> <td>Fabricated employees</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Same IBAN for multiple staff	Ghost employees	Same phone numbers	Fake identities	Duplicate IDs	Fabricated employees	
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CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

<p>7. Allocation Percentage Analysis</p> <p>Objective: Verify donor allocation accuracy.</p> <p>Procedure: Calculate total allocation percentage for employees working on multiple projects.</p> <p>Formula: Total Allocation % = UNHCR % + UNICEF % + WFP % + Other %</p>	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Allocation exceeds 100%</td> <td>Double charging</td> </tr> <tr> <td>Same allocation every month</td> <td>Artificial allocation</td> </tr> <tr> <td>Allocation unrelated to activities</td> <td>Unsupported charging</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Allocation exceeds 100%	Double charging	Same allocation every month	Artificial allocation	Allocation unrelated to activities	Unsupported charging	<p>Example</p> <table border="1"> <thead> <tr> <th>Donor</th> <th>Allocation</th> </tr> </thead> <tbody> <tr> <td>UNHCR</td> <td>70%</td> </tr> <tr> <td>UNICEF</td> <td>50%</td> </tr> <tr> <td>WFP</td> <td>40%</td> </tr> <tr> <td>Total</td> <td>160%</td> </tr> </tbody> </table> <p>Risk: Impossible allocation.</p>	Donor	Allocation	UNHCR	70%	UNICEF	50%	WFP	40%	Total	160%
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<p>8. Overtime Analysis</p> <p>Objective: Identify inflated payroll.</p> <p>Procedure: Analyze:</p> <ul style="list-style-type: none"> ▪ Overtime by employee; ▪ Overtime trends; and ▪ Overtime vs operational activities. 	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Same overtime monthly</td> <td>Artificial payroll</td> </tr> <tr> <td>Excessive overtime</td> <td>Payroll inflation</td> </tr> <tr> <td>Overtime during inactive periods</td> <td>Fake claims</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Same overtime monthly	Artificial payroll	Excessive overtime	Payroll inflation	Overtime during inactive periods	Fake claims											
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<p>9. Tax & Social Security Analysis</p> <p>Objective: Verify legitimacy of payroll deductions.</p> <p>Procedure: Compare:</p> <ul style="list-style-type: none"> ▪ Payroll deductions; ▪ Tax filings; ▪ Social security payments; and ▪ Official receipts. 	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>No deductions</td> <td>Ghost staff</td> </tr> <tr> <td>Deductions not remitted</td> <td>Payroll fraud</td> </tr> <tr> <td>Inconsistent calculations</td> <td>Manipulation</td> </tr> </tbody> </table>	Red Flag	Possible Risk	No deductions	Ghost staff	Deductions not remitted	Payroll fraud	Inconsistent calculations	Manipulation											
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<p>10. Employee Lifecycle Analysis</p> <p>Objective: Identify suspicious employment patterns.</p> <p>Procedure: Analyze:</p> <ul style="list-style-type: none"> ▪ Joining dates; ▪ Resignation dates; ▪ Payment dates; and ▪ Contract periods. 	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Payments after resignation</td> <td>Ghost payroll</td> </tr> <tr> <td>Multiple hires near project closure</td> <td>Budget absorption</td> </tr> <tr> <td>Backdated contracts</td> <td>Manipulation</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Payments after resignation	Ghost payroll	Multiple hires near project closure	Budget absorption	Backdated contracts	Manipulation											
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CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

<p>11. Benford's Law Analysis</p> <p>Objective: Detect fabricated payroll amounts.</p> <p>Procedure: Analyze first digits of:</p> <ul style="list-style-type: none"> Salaries; Overtime; and Allowances. 	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Unnatural digit patterns</td> <td>Artificial amounts</td> </tr> </tbody> </table> <p><i>Benford's Law is a data analytics technique used to identify unusual or potentially manipulated numerical patterns in financial data. It is based on the principle that in naturally occurring numbers, smaller digits appear more frequently as the first digit.</i></p> <p>Expected Distribution of First Digits:</p> <table border="1"> <thead> <tr> <th>First Digit</th> <th>Expected Frequency</th> </tr> </thead> <tbody> <tr><td>1</td><td>30.1%</td></tr> <tr><td>2</td><td>17.6%</td></tr> <tr><td>3</td><td>12.5%</td></tr> <tr><td>4</td><td>9.7%</td></tr> <tr><td>5</td><td>7.9%</td></tr> <tr><td>6</td><td>6.7%</td></tr> <tr><td>7</td><td>5.8%</td></tr> <tr><td>8</td><td>5.1%</td></tr> <tr><td>9</td><td>4.6%</td></tr> </tbody> </table>	Red Flag	Possible Risk	Unnatural digit patterns	Artificial amounts	First Digit	Expected Frequency	1	30.1%	2	17.6%	3	12.5%	4	9.7%	5	7.9%	6	6.7%	7	5.8%	8	5.1%	9	4.6%	<p>Example</p> <p><i>Normal Payroll Data:</i></p> <p>1,250 1,480 2,300 3,150 1,920 4,250</p> <p>Usually follows normal Benford distribution.</p> <p><i>Suspicious Payroll Data:</i></p> <p>7,000 7,500 7,200 7,100 7,300</p> <p>Too many numbers starting with digit "7".</p>
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9	4.6%																									
<p>12. Payroll Ratio Analysis</p> <p>Objective: Assess overall payroll reasonableness.</p> <p>Common Ratios:</p> <ul style="list-style-type: none"> Payroll to Total Project Cost: $\text{Payroll Ratio} = \frac{\text{Personnel Costs}}{\text{Total Project Cost}}$ Admin Staff Ratio: $\text{Admin Ratio} = \frac{\text{Admin Staff Costs}}{\text{Total Payroll}}$ 	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Excessive payroll ratio</td> <td>Overstaffing</td> </tr> <tr> <td>High admin ratio</td> <td>Misallocation</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Excessive payroll ratio	Overstaffing	High admin ratio	Misallocation																			
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<p>13. Cross-Matching Analysis</p> <p>Objective: Identify inconsistencies across systems.</p> <p>Procedure: Compare:</p> <ul style="list-style-type: none"> Payroll vs attendance; Payroll vs timesheets; Payroll vs bank transfers; Payroll vs HR files; and Payroll vs project outputs. 	<p>Red Flags</p> <table border="1"> <thead> <tr> <th>Red Flag</th> <th>Possible Risk</th> </tr> </thead> <tbody> <tr> <td>Employee paid but absent</td> <td>Ghost employee</td> </tr> <tr> <td>Paid without timesheet</td> <td>Unsupported cost</td> </tr> <tr> <td>Salary not transferred</td> <td>Diversion</td> </tr> </tbody> </table>	Red Flag	Possible Risk	Employee paid but absent	Ghost employee	Paid without timesheet	Unsupported cost	Salary not transferred	Diversion																	
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10. SUBSTANTIVE TESTING – GENERAL

- 1. Filter the GL for Staff Costs.**
- 2. Pivot Table the GL of Staff Costs (Per output / Per Month / Per Staff) and make some analysis.**
- 3. Reconcile the GL with periodic PFR.**

611101	PTR-Partner - Staff - DP
611111	PTR-Partner - Staff - DS

- 4. Match (on a gross basis) (1) monthly payroll sheets for the project implementing period, (2) GL (related to personnel costs); and (3) periodic PFRs and investigate any variance (to cover completeness).**
- 5. As applicable, obtain UNHCR project personnel list, including name of staff, title (position), no. of months worked on UNHCR project, budgeted amount per month and in total, UNHCR contribution %, actual amounts paid (per month and in total), and variance (actual – budget).**
 - Match the total budgeted amount for all staff between the list and the approved budget (to cover completeness);
 - Match the total actual amount paid to all staff between the list and payroll sheets, GL and final PFR (to cover completeness);
 - Compare the salaries reported with the detailed budget (by name and position) and staff list, to verify the existence of payments exceeding the budget line item;
 - For staff who were separated (left the organization), if details are not included in the initial staff list, obtain a list of those former staff. Such list should also include full contact information;
 - Perform analytical procedures (using Excel or other techniques) on the list obtained to verify the existence of duplication in staff names and contact numbers;
 - Compare employee contact numbers with suppliers / vendors contact numbers to verify the existence of ghost employees; and
 - Perform analytical procedures on the list obtained to verify the existence of the same family names with members of directors (conflict-of-interest).
- 6. Select a sample of monthly payroll sheets (preferably selecting 4 months “January”, “April”, “August” and “December”) and make the following procedures:**
 - Check the mathematical accuracy of the selected payroll sheets;
 - Payroll sheets are prepared by HR department (NOT Accounting Department);
 - Payroll sheets are appropriately authorized (inspect for the signature of preparer, reviewer and authorizer);
 - Verify the payment process and compare the amount recorded with supporting documents (i.e., bank statement, copy of cheques, or approved payment vouchers if cash paid) as well as monthly salary slips; and
 - Match the total payroll tax and social security with supporting documents.

CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

7. **Select a sample of employees from staff list (risk based combined with other sampling methods such as random sampling) and make the following procedures:**
- Recalculate payroll tax and social security deductions (lack of deductions is considered a red flag of ghost employees);
 - Check the payslips, payment voucher and supporting documents for each selected employee (for all months);
 - Check the attendance time and time sheets for each selected employee (for all months);
 - Verify employee's file for each selected employees in terms of (employee ID / C.V / educational certifications / university degree / previous experience certificate / number of experience years / nature of previous experience / job description / signed code of conduct, conflict of interest and confidentiality / evaluation before hiring / tax clearance (if applicable) / annual leaves or other / bank information / EOS clearance (if applicable) / recent judiciary record (if applicable);
 - Always ask about allocation salaries and request percentage distribution models for more than one donor and match them with percentages mentioned in the agreement and timesheet;
 - Match the signatures of staff among contracts, payslips, timesheets, attendance sheets, copy of cheque, and official work papers based on his/her job title;
 - Target areas that indicate the presence of red flags and suspicions;
 - If the electronic signatures are used, the Partner should follow its internal policy regarding this matter;
 - For those who left the organization during the project implementation period, check for any document signed by them after the resignation date (a red flag for ghost employee or fake documents);
 - Check if photocopies of issued cheques are part of the payment voucher documents (red flag for ghost employee, discrepancy in paid amounts) - without such copies, bank statements/reconciliations review to be conducted thoroughly as a high-risk red flag;
 - If salaries are paid by cheques, the cheques should be stamped / crossed with "First beneficiary only" (or equivalent);
 - Select a representative sample of employees (from different positions) and from current and former employees for confidential interview to validate the number of months worked on UNHCR project/and if they worked on other projects funded by other donors, their positions, functions, salaries amount paid as well as the payment method and compare that information with documents (inquire to rule out the risk of extortion, ghost employees and double charging to other donors);
 - If there are indicators for possible double charging to other donors, ask the Partner to share information on their reports to other donors (from the commitment to transparency the Partner should be able to allow such access even if in some cases they may have to consult with the concerned donors);
 - Select a representative sample of beneficiaries (refugees, and others receiving protection assistance) to inquire about the names of staff who dealt with them during the project implementation period (Risk: Payment to staff not working on the project/ghost employees);
 - Verify the actual output of staff during the project implementation period (Risk: Payment to workers not working on the project); and
 - Review all information collected and assess whether all the risks are properly addressed or if any other relevant information is missing.

**CAPACITY ENHANCEMENT
PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION**

11. SUBSTANTIVE TESTING – RISK BASED

A. Payroll Reconciliation Testing	
Objective: Verify completeness and accuracy of payroll expenses	
Recommended Procedures	Purpose
Reconcile payroll to GL	Detect unrecorded adjustments
Reconcile payroll to PFR	Detect unsupported claims
Reconcile payroll to bank statements	Verify actual payment
Compare payroll trends monthly	Detect unusual spikes
Example	
Red Flag: December payroll increased by 45% without operational justification.	
Recommended Procedures:	
<ul style="list-style-type: none"> ▪ Obtain explanation from HR and Finance. ▪ Review new hires. ▪ Verify contracts and recruitment files. ▪ Review overtime approvals. ▪ Compare with activity implementation timeline. ▪ Verify if year-end donor utilization pressure exists. 	

B. Employee Existence Verification	
Red Flags	
<ul style="list-style-type: none"> ▪ Same bank account used by multiple employees. ▪ Same phone numbers. ▪ Sequential signatures. ▪ Missing staff photos. ▪ No evidence of work output. ▪ Employees unreachable. 	
Recommended Procedures	Purpose
Staff interviews	Confirm existence
Site visits	Physical verification
Beneficiary confirmation	Confirm staff involvement
Compare contacts with suppliers	Detect fictitious identities
Social media/professional profile checks	Validate identity
Review email activity	Confirm operational involvement
Example	
Scenario: Three employees share the same bank account.	
Possible Risk: Ghost employees controlled by one individual.	
Recommended Procedures:	
<ul style="list-style-type: none"> ▪ Obtain bank confirmation. ▪ Interview employees separately. ▪ Review recruitment documents. ▪ Verify attendance records. ▪ Review authorization hierarchy. ▪ Escalate to IGO if unsupported. 	

**CAPACITY ENHANCEMENT
PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION**

C. Timesheet & Allocation Testing	
Common Fraud Schemes:	
Schemes	Example
Over-allocation	Employee charged 100% to 3 donors
Retroactive timesheets	Prepared after audit request
Copy-paste timesheets	Identical daily activities
Artificial distribution	Percentages match budget rather than actual work
Supervisor override	Timesheets approved without review
Recommended Procedures:	
Procedure	Purpose
Recalculate allocation percentages	Validate accuracy
Compare activities to project implementation	Confirm consistency
Compare staff schedules across projects	Detect overlap
Review email/calendar evidence	Validate actual work
Interview supervisors	Confirm staff contribution
Compare outputs with workload	Assess reasonableness
<p>Example: Compare leave records and approved absence days in the employee personnel file against the employee's timesheets to identify whether any days recorded as worked were actually leave or absence days.</p> <p>Example</p> <p>Red Flag: Employee allocated:</p> <ul style="list-style-type: none"> ▪ 100% to UNHCR ▪ 70% to UNICEF ▪ 50% to WFP <p>Recommended Procedures:</p> <ul style="list-style-type: none"> ▪ Review all donors' staff list timesheets (this may need arrangement with other donors to obtain the staff list / time sheet). ▪ Obtain allocation methodology. ▪ Review calendars and project workplans. ▪ Verify reporting lines. ▪ Escalate overlapping/double charges. 	

**CAPACITY ENHANCEMENT
PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION**

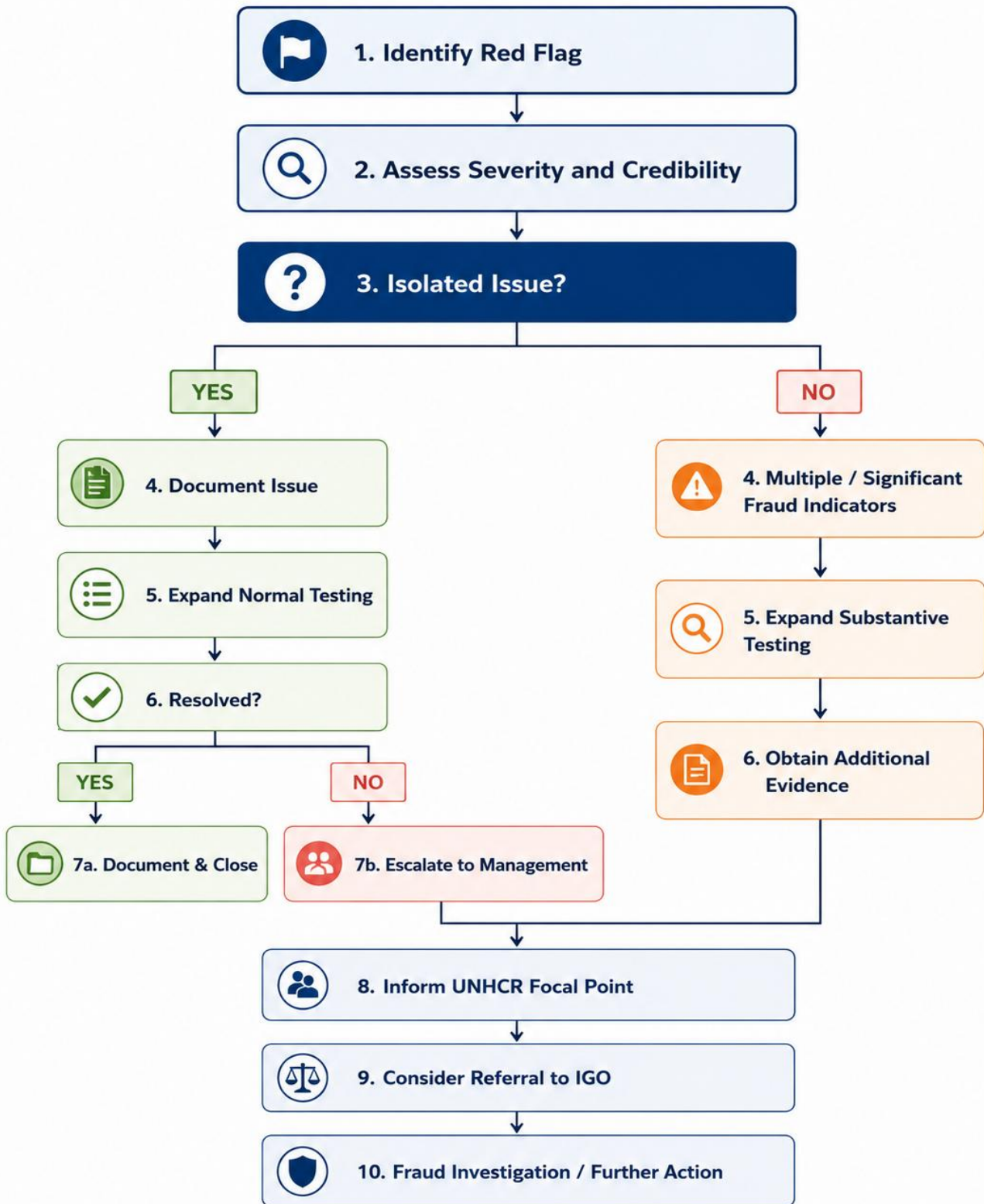
12. SUBSTANTIVE TESTING – FRAUD RED FLAGS

A. Payroll Fraud Indicators		
Red Flag	Explanation	Recommended Procedure
Round salary amounts	Artificial payroll generation	Compare with contracts
Sequential bank accounts	Potential fabricated staff	Bank analysis
Missing deductions	Ghost employees	Recalculate tax/social security
Duplicate IDs	Fake employees	Data analytics
Unusual overtime	Payroll inflation	Review approvals
Salary increases before project end	Budget absorption/utilization	Trend analysis
Cash salary payments	Weak traceability	Enhanced testing
No annual leave	Possible fake employee	HR review
Same handwriting/signatures	Forged documentation	Forensic review

B. HR Recruitment Red Flags	
Red Flag	Risk
Missing recruitment file	Unauthorized hiring
No interview evidence	Manipulated hiring
Immediate hiring without process	Favoritism/fraud
Related family names	Conflict of interest
Fake qualifications	Unqualified staff
Recommended Procedures: <ul style="list-style-type: none"> ▪ Verify certificates directly. ▪ Verify references. ▪ Review HR committee minutes. ▪ Compare recruitment dates with project timeline. 	

C. Extortion & Salary Kickback Indicators (This is extremely important for IGO-related investigations)	
Red Flag	Risk
Staff hesitant during interviews	Fear/extortion
Cash withdrawals immediately after payroll	Kickback
Staff unable to state salary	Salary manipulation
Employees report partial receipt	Corruption
Payments routed through supervisors	Misappropriation
Recommended Procedures:	
Procedure	Purpose
Confidential interviews	Detect coercion
Compare payroll vs actual receipt	Verify payment integrity
Review ATM withdrawal patterns	Identify forced withdrawals
Interview former staff	Independent evidence
Escalate discreetly to IGO	Preserve integrity
Example Observation: Staff member states: "I sign for US\$ 800 but receive US\$ 500". Immediate Actions: <ul style="list-style-type: none"> ▪ Do not confront management directly. ▪ Expand sample testing. ▪ Secure evidence copies. ▪ Inform UNHCR focal point confidentially. ▪ Escalate under fraud reporting protocol. 	

13. FLOWCHART - STANDARD RAUD ESCALATION PROCES



14. PERSONNEL COST VERIFICATION – INTERVIEW QUESTIONNAIRE

Area	Questions	Red Flag Indicator
Employee Identity	What is your position and when did you join the organization?	Employee unsure of role/details
Project Work	Which projects do you work on and what are your duties?	Duties inconsistent with records
Salary Payment	How do you receive your salary (bank/cash/cheque)?	Cash payments or unclear process
Bank Account	Which bank account receives your salary?	Shared/duplicate bank accounts
Salary Amount	Do you receive the full salary amount stated in your payslip?	Salary kickback/extortion
Tax & Social Security	Are tax and social security deducted from your salary?	No deductions or unclear deductions
Attendance	How is your attendance recorded?	No attendance control
Timesheets	Do you prepare and sign your timesheets yourself?	Retroactive/fake timesheets
Allocation	How is your time allocated between projects/donors?	Allocation exceeds actual work
Supervisor Review	Who reviews and approves your timesheets?	Weak approval controls
Overtime	How is overtime approved and calculated?	Unsupported overtime
Work Evidence	What activities or outputs did you complete recently?	No evidence of actual work
Ethics/Fraud	Have you ever been asked to return part of your salary?	Extortion/corruption
HR Process	Did you go through a formal recruitment/interview process?	Fake recruitment
Former Staff	Are you aware of employees who left but still receive salary?	Ghost employees

Key Interview Red Flags

- Employee does not know salary amount
- Employee cannot explain duties
- Same answers from multiple employees
- Employee hesitant or nervous
- Staff paid after resignation
- Duplicate bank accounts
- No tax/social security deductions
- Allocation above 100% across donors
- Management insists on attending interviews



Recommended Follow-Up Actions



- Expand sample testing



- Verify supporting documents



- Compare interview responses with payroll and timesheets



- Perform analytical procedures



- Conduct confidential interviews



- Escalate significant concerns to UNHCR / IGO where necessary

15. RECOMMENDED FINAL SECTIONS

Key Takeaways

- Personnel costs are high fraud-risk areas.
- Documentation alone is insufficient.
- Interviews and analytical procedures are critical.
- Allocation testing is essential.
- Fraud indicators must be assessed collectively.
- Professional skepticism is mandatory.

Additional Best-Practice Sections You Should Add

A. *Professional Skepticism - Examples of:*

- Overreliance on documents.
- Management override.
- “Too perfect” payroll records.

B. *Remote Verification Challenges - Since many UNHCR operations now involve remote reviews.*

Include:

- Video verification.
- Remote interviews.
- Digital evidence validation.
- Metadata review.
- Electronic signature risks.

C. *Coordination with IGO - Clarify:*

- Auditor/review role vs investigator role.
- Evidence preservation.
- Confidentiality.
- Escalation channels.

CAPACITY ENHANCEMENT
PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

APPENDIX: TRANSACTIONS CONTROLS

Risk	Verification Procedures
Fraudulent Activities	
<p>Payments made to non-existent employees (Ghost Employees)</p>	<p>Reconcile Payroll with HR Records: Cross-check the payroll register (<i>records all employees' salary payment information for a specific pay period</i>) against the HR master file (<i>a centralized record that holds important information about organization employees. It includes details like their name, address, contact number, job position, salary, and more</i>) to ensure that all employees listed are active and legitimate.</p> <p>Employee Verification: Perform a physical verification by conducting confidential interviews or site visits to confirm the presence of employees listed on the payroll.</p> <p>Historical Payroll Review: Analyze historical payroll data to identify any unusual or unexplained additions or deletions of employees.</p>
<p>Improper charging to UNHCR of non-UNHCR project-related personnel (possible fraud)</p>	<p>Review Cost Allocation: Assess how payroll costs are allocated to different projects. Verify that the allocation aligns with actual project work or departmental activities.</p> <p>Project vs. Non-Project Analysis: Compare the payroll expenses charged to project codes with actual project activities and employee assignments. Review/Investigate any discrepancies (<u>this may include selecting a sample of staff and verifying their actual involvement in the project, like asking them about their duties as well as checking their output (their signatures on the project's documents)</u>).</p> <p>Authorization Verification: Ensure that all payroll charges to projects or departments are properly authorized and documented.</p>
<p>Paid but unauthorized absence</p>	<p>Timekeeping Review: Examine timekeeping records and compare them with actual attendance logs to verify that employees are not being paid for unauthorized absences.</p> <p>Absence Authorization: Verify that all absences are properly authorized, documented, and supported by leave requests or medical certificates.</p> <p>Exception Reports: Review exception reports from the timekeeping system to identify patterns of unauthorized or irregular absences.</p>
<p>Forcing employees to return part of their salaries to management (fraud)</p>	<p>Employee Interviews: Conduct confidential interviews with employees to inquire about any instances of being asked to return part of their salary.</p> <p>Payroll Disbursement Review: Analyze payroll disbursement records to identify any unusual patterns or reductions in net pay that could indicate salary kickbacks.</p> <p>Anonymous Reporting: Implement and review anonymous reporting mechanisms to allow employees to report any such practices without fear of retaliation.</p> <p>Management Reviews: Assess the control environment and review any signs of undue influence or coercion by management over payroll processes.</p>
<p>Falsified time records: Employees or managers reporting hours</p>	<p>Review Timekeeping Systems and Controls</p> <ul style="list-style-type: none"> ▪ System Assessment: Evaluate the effectiveness of the timekeeping system, including its controls for capturing, recording, and approving time. Ensure the system has adequate features to prevent and detect falsification.

CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

<p>not actually worked (possible fraud)</p>	<ul style="list-style-type: none">▪ Access Controls: Review user access levels and permissions to ensure only authorized personnel can modify or approve time records. <p><u>Reconcile Time Records</u></p> <ul style="list-style-type: none">▪ Compare Records: Cross-check time records with other sources of information, such as:<ul style="list-style-type: none">○ Employee Schedules: Verify that reported hours align with approved employee schedules.○ Project Logs: Compare time entries with project logs or activity reports to ensure that reported hours are consistent with actual work performed.○ Physical Attendance Records: Reconcile time records with physical attendance or security badge entry logs. <p><u>Sample Testing of Time Entries</u></p> <ul style="list-style-type: none">▪ Random Sampling: Select a random sample of time entries from various employees and review them for accuracy. Verify these entries against supporting documentation, such as timesheets or electronic time records.▪ High-Risk Areas: Focus on high-risk areas, such as overtime hours, late entries, or employees with frequent adjustments to their time records. <p><u>Analyze Variances and Exceptions</u></p> <ul style="list-style-type: none">▪ Exception Reports: Review exception reports generated by the timekeeping system for unusual patterns, such as excessive overtime, frequent corrections, or discrepancies between scheduled and actual hours.▪ Trend Analysis: Perform trend analysis to identify patterns of anomalies in time reporting, such as spikes in reported hours or repeated instances of discrepancies. <p><u>Conduct Interviews and Surveys</u></p> <ul style="list-style-type: none">▪ Employee Interviews: Interview employees about their timekeeping practices and any discrepancies in their time records. Look for inconsistencies between their explanations and the recorded time.▪ Managerial Interviews: Interview managers responsible for approving time records to understand their review and approval processes. Assess their awareness and vigilance regarding time reporting. <p><u>Verify Approval Processes</u></p> <ul style="list-style-type: none">▪ Authorization Checks: Review the process for approving time records to ensure it is properly documented and includes supervisory review and sign-off.▪ Segregation of Duties: Assess whether the roles responsible for entering, approving, and reviewing time records are adequately segregated to reduce the risk of fraudulent activity. <p><u>Perform Physical Observations</u></p> <ul style="list-style-type: none">▪ Unannounced Site Visits: Conduct unannounced site visits or surprise checks to verify that employees are present during their reported work hours.▪ Spot Checks: Observe the work environment to ensure it matches the reported time records (e.g., employees present during peak times).
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**CAPACITY ENHANCEMENT
PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION**

	<p><u>Review Audit Trails</u></p> <ul style="list-style-type: none"> ▪ System Logs: Examine audit trails or system logs for any unauthorized changes or adjustments to time records. Look for unusual patterns of activity or frequent modifications. ▪ Historical Data: Review historical timekeeping data to identify any past incidents of tampering or adjustments that could indicate a pattern of falsified records.
<p>Staff working on multiple projects at the same time (multiple/double charging to different donors) – {Possible fraud scheme}</p>	<p>Review Time Allocation and Cost Allocation Policies</p> <p><u>Policy Review</u></p> <ul style="list-style-type: none"> ▪ Documentation Check: Examine the organization's policies and procedures related to time allocation and cost allocation for staff working on multiple projects. Ensure these policies are comprehensive and clearly defined. ▪ Compliance Assessment: Verify that the organization's cost allocation policies comply with the donor requirements. <p><u>Allocation Methodology</u></p> <ul style="list-style-type: none"> ▪ Methodology Review: Assess the methodology used for allocating staff time and costs to different projects. Ensure that the method is logical, transparent, and consistently applied. <p>Examine Timekeeping and Project Tracking Systems</p> <p><u>Timekeeping Accuracy</u></p> <ul style="list-style-type: none"> ▪ System Evaluation: Review the timekeeping system to ensure it accurately records staff hours worked on different projects (<u>the organization should keep one master time sheet that provides the efforts/time allocation overall projects/doners instead of keeping a partial time sheet for each project separately</u>). Verify that the system supports tracking and reporting of time spent on multiple projects. ▪ Sample Testing: Select a sample of time entries and verify that they are properly allocated to the correct projects and reflect the actual hours worked. <p><u>Project Tracking</u></p> <ul style="list-style-type: none"> ▪ Project Logs: Examine project logs or tracking tools to confirm that staff time is appropriately recorded and allocated across projects. ▪ Reconciliation: Reconcile project timesheets with project budgets and financial records to ensure accuracy in staff cost allocation. <p>Analyze Cost Allocation Records</p> <p><u>Cost Allocation Review</u></p> <ul style="list-style-type: none"> ▪ Allocation Reconciliation: Compare cost allocation records against payroll and project expense reports to identify any inconsistencies or errors. ▪ Double Charging Check: Verify that staff costs are not being double charged to multiple donors or projects. This involves ensuring that total hours worked, and costs are allocated correctly.

CAPACITY ENHANCEMENT
PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

Donor Financial Report Verification

- **Reports Reconciliation:** Cross-check financial statements (projects reports) sent to donors with the internal records of staff time and costs to ensure accurate and fair billing (this may need arrangement with other donors to obtain the staff list).

Conduct Variance Analysis

Budget vs. Actual

- **Variance Analysis:** Perform variance analysis to compare actual staff costs and time allocations against project budgets and forecasts. Investigate any significant discrepancies or unusual patterns.
- **Cost Overruns:** Analyze any cost overruns to determine if they are related to double charging or misallocation of staff time.

Trend Analysis

- **Historical Data:** Review historical data for trends in staff time allocation and project costs to identify any recurring issues or patterns of misallocation.

Review Internal Controls and Approvals

Control Environment

- **Segregation of Duties:** Assess whether there is adequate segregation of duties between those responsible for timekeeping, cost allocation, and project management to prevent and detect errors.
- **Authorization Procedures:** Verify that all time allocations and cost charges to projects are properly authorized and reviewed by management.

Exception Handling

- **Error Resolution:** Review the process for identifying and correcting errors in timekeeping and cost allocation. Ensure that there is a documented procedure for handling exceptions and discrepancies.

Conduct Interviews and Surveys

Employee Feedback

- **Staff Interviews:** Interview staff members to understand their time allocation practices and any challenges they face when working on multiple projects.
- **Feedback Collection:** Collect feedback from employees on the effectiveness of the timekeeping and cost allocation systems and identify any areas for improvement.

Managerial Insights

- **Manager Interviews:** Interview project managers and department heads to gain insights into how staff time is managed and allocated across multiple projects.

CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

Errors in Payroll Calculation & Compliance Issues	
<p>Incorrect Salary Calculations: Mistakes in base pay, overtime, bonuses, or benefits</p> <p>Tax and Deduction Errors: Misapplication of tax rates, benefits, or deductions</p>	<p><u>Reconcile Salary Calculations</u></p> <ul style="list-style-type: none"> ▪ Sample Testing: Select a sample of payroll transactions and recalculate base pay, overtime, bonuses, and benefits: <ul style="list-style-type: none"> ○ Base Pay: Verify that the base salary aligns with employment contracts or compensation agreements. ○ Overtime: Check that overtime calculations adhere to applicable labor laws and organization policies. Confirm the correct application of overtime rates. ○ Bonuses: Ensure that bonuses are calculated based on the defined criteria and correctly reflected in payroll. ○ Benefits: Review calculations of benefits (e.g., health insurance, retirement contributions) to ensure they align with policy terms and employee elections. <p><u>Verify Pay Changes</u></p> <ul style="list-style-type: none"> ▪ Change Documentation: Review documentation for any recent changes in pay rates, including salary increases, promotions, or demotions. Ensure these changes are correctly reflected in the payroll system. ▪ Authorization Review: Check that all changes to base pay, overtime, bonuses, or benefits are properly authorized and documented. <p><u>Cross-Check Payroll Reports</u></p> <ul style="list-style-type: none"> ▪ Payroll Register Review: Reconcile payroll register totals with general ledger entries to ensure accuracy in salary payments. <p><u>Test Payroll System Accuracy</u></p> <ul style="list-style-type: none"> ▪ System Functionality: Test the payroll system’s calculation functions for base pay, overtime, bonuses, and benefits. Ensure that the system is accurately applying the relevant formulas and rates. ▪ Software Updates: Verify that the payroll software is up-to-date with the latest patches and updates that address known calculation issues. <p><u>Perform Variance Analysis</u></p> <ul style="list-style-type: none"> ▪ Budget vs. Actual: Compare actual payroll expenses with budgeted amounts to identify any significant variances. Investigate the cause of these variances. ▪ Historical Comparison: Analyze payroll data trends over time to detect any unusual fluctuations or patterns that might indicate calculation errors. <p><u>Review Payroll Reports for Accuracy</u></p> <ul style="list-style-type: none"> ▪ Pay Stub/Slip Analysis: Examine employee pay stubs for accuracy, including base pay, overtime, bonuses, and deductions. Verify that all components are calculated correctly. ▪ Payroll Summary Reports: Review summary reports generated by the payroll system for accuracy and completeness. <p><u>Assess Compliance with Regulations</u></p> <ul style="list-style-type: none"> ▪ Legal Compliance Check: Ensure that payroll calculations comply with relevant labor laws, tax regulations, and benefit requirements. This includes verifying correct withholding for taxes, benefits, and other deductions.

CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

	<ul style="list-style-type: none"> ▪ Regulatory Updates: Review recent changes in legislation or regulations affecting payroll calculations and ensure that the organization has adapted its processes accordingly. <p><u>Confirm with Employees</u></p> <ul style="list-style-type: none"> ▪ Employee Verification: Conduct interviews or surveys with employees to confirm the accuracy of their pay, including base pay, overtime, bonuses, and benefits. Address of any discrepancies reported by employees.
<p>Data Integrity Issues</p>	
<p>Data Entry Errors: Mistakes in entering employee data or payroll details</p> <p>Unauthorized Changes: Alterations to payroll data without proper authorization</p>	<p>Review Employee Data</p> <p><u>Employee Records Accuracy</u></p> <ul style="list-style-type: none"> ▪ Data Reconciliation: Compare employee records in the payroll system with HR master files to ensure consistency in personal information such as names, addresses, and social security numbers. ▪ Documentation Verification: Check that employee records include required documentation, such as employment contracts, tax forms, and identification documents. <p><u>Employment Status and Eligibility</u></p> <ul style="list-style-type: none"> ▪ Employment Status Verification: Confirm that employee status (active, terminated, or on leave) is accurately reflected in the payroll system. Verify that terminated or resigned employees are removed from active payroll lists. ▪ Eligibility Checks: Ensure that employee eligibility for benefits and compensation aligns with their employment status and tenure. <p>Validate Payroll Details</p> <p><u>Payroll Register Reconciliation</u></p> <ul style="list-style-type: none"> ▪ Reconcile with General Ledger: Compare payroll register totals to general ledger entries to ensure that payroll expenses are accurately recorded. ▪ Transaction Testing: Select a sample of payroll transactions and verify that all details (e.g., hours worked, pay rates, deductions) are correctly reflected in the payroll register. <p><u>Salary and Compensation Verification</u></p> <ul style="list-style-type: none"> ▪ Base Pay Confirmation: Verify that base salaries are accurate and align with employment contracts or salary agreements. ▪ Bonus and Overtime Validation: Check that bonuses and overtime payments are calculated according to company policy and are accurately reflected in payroll. <p><u>Deductions and Benefits Accuracy</u></p> <ul style="list-style-type: none"> ▪ Deduction Review: Ensure that employee deductions (e.g., taxes, retirement contributions) are accurately calculated and comply with statutory requirements. ▪ Benefits Administration: Verify that benefits (e.g., health insurance, retirement plans) are correctly administered and that contributions or deductions are accurately reflected in payroll.

CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

Test Internal Controls

Control Environment

- **Segregation of Duties:** Assess whether duties related to payroll processing, approval, and review are properly segregated to prevent fraud or errors.
- **Authorization Procedures:** Review the processes for authorizing payroll transactions and changes to employee data to ensure they are properly documented and approved.

Error Detection and Correction

- **Exception Handling:** Examine how exceptions or errors in payroll are identified and corrected. Ensure that there is a documented process for handling discrepancies.
- **Audit Trails:** Review audit trails in the payroll system to ensure that all changes to employee data and payroll details are logged and authorized.

Perform Reconciliations

Payroll Data Reconciliation

- **Bank Reconciliation:** Reconcile payroll bank account statements with payroll disbursement records to ensure accuracy in payroll payments.
- **Tax Reconciliation:** Compare payroll tax filings with payroll records to verify that tax withholdings and payments match.

Employee Pay Comparison

- **Pay Stub/Slip Review:** Examine a sample of employee pay stubs for accuracy in pay calculations, including base pay, overtime, and deductions.
- **Historical Data Comparison:** Compare current payroll data with historical payroll records to identify any unusual patterns or discrepancies.

Verify Compliance with Regulations

Legal and Regulatory Compliance

- **Labor Law Compliance:** Ensure payroll practices comply with labor laws, including minimum wage requirements, overtime regulations, and record-keeping standards.
- **Tax Compliance:** Verify that payroll tax withholdings and reporting comply with the tax regulations.

Contractual and Policy Adherence

- **Contractual Obligations:** Check that compensation and benefits align with terms outlined in employment contracts or collective bargaining agreements.
- **Policy Review:** Ensure that payroll policies and procedures are followed and that any deviations are properly authorized and documented.

Conduct Interviews and Surveys

Employee Interviews

- **Employee Feedback:** Conduct interviews or surveys with employees to confirm the accuracy of their payroll details and address any concerns or discrepancies they may report.
- **Management Interviews:** Interview payroll and HR staff to understand their processes for maintaining and updating employee data.

CAPACITY ENHANCEMENT

PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION

	<p><u>Management Oversight</u></p> <ul style="list-style-type: none"> ▪ Review Supervisory Oversight: Evaluate the role of management in overseeing payroll processing and ensuring the accuracy of employee data.
<p>Others</p>	
<p>Employed personnel are not competent: due to poor recruitment process, lack of funds to attract quality job applicants, lack of long-term funding resulting in the overuse of short-term/casual contracts, lead-time for recruitment of new staff means a shortage of staff for the first few months of a project</p>	<p>Review Recruitment and Hiring Processes</p> <p><u>Recruitment Process Evaluation</u></p> <ul style="list-style-type: none"> ▪ Process Documentation: Review the documented recruitment and hiring processes to assess their effectiveness in attracting and selecting qualified candidates. ▪ Competency Assessment: Evaluate the methods used to assess candidate competencies, such as interview techniques, skills tests, and background checks. <p><u>Adherence to Recruitment Policies</u></p> <ul style="list-style-type: none"> ▪ Policy Compliance: Verify that recruitment practices align with organizational policies and industry best practices. ▪ Documentation Review: Check that all recruitment activities are documented, including job postings, interview notes, and selection criteria. <p>Analyze Funding and Compensation</p> <p><u>Funding and Compensation Analysis</u></p> <ul style="list-style-type: none"> ▪ Budget Review: Examine the budget allocated for recruitment and compensation to determine if it is sufficient to attract high-quality candidates. ▪ Compensation Comparison: Compare the organization's compensation packages with industry standards to assess competitiveness. Ensure salaries and benefits are adequate to attract and retain skilled personnel. <p><u>Funding Sources and Stability</u></p> <ul style="list-style-type: none"> ▪ Funding Stability: Assess the stability and adequacy of funding sources for long-term recruitment and staff retention. Identify any issues related to short-term funding impacting staffing levels and quality. <p>Assess the Impact of Short-Term Contracts</p> <p><u>Contract Analysis</u></p> <ul style="list-style-type: none"> ▪ Contract Review: Review of short-term or casual contracts and their impact on staff competency and project continuity. ▪ Employee Turnover: Analyze turnover rates among short-term or casual staff to identify any patterns or issues related to the use of such contracts. <p><u>Staff Performance Evaluation</u></p> <ul style="list-style-type: none"> ▪ Performance Reviews: Evaluate the performance and competency of staff hired on short-term or casual contracts. Identify any gaps or issues arising from this type of employment arrangement. <p>Evaluate Lead-Time for Recruitment</p> <p><u>Recruitment Lead-Time Analysis</u></p> <ul style="list-style-type: none"> ▪ Lead-Time Assessment: Analyze the lead-time required for recruiting new staff and its impact on project staffing and performance. ▪ Project Staffing: Review project planning and staffing strategies to ensure that recruitment lead-time is adequately accounted for in project timelines.

**CAPACITY ENHANCEMENT
PARTNER PAYROLL/PERSONNEL COSTS VERIFICATION**

	<p><u>Contingency Planning</u></p> <ul style="list-style-type: none">▪ Contingency Plans: Evaluate whether there are contingency plans in place to address staffing shortages during the recruitment process. Ensure there are strategies to mitigate the impact of delayed recruitment on project performance. <p>Review Training and Development</p> <p><u>Training Programs</u></p> <ul style="list-style-type: none">▪ Training Evaluation: Assess the organization's training and development programs to ensure they effectively address competency gaps and improve staff skills.▪ Onboarding Process: Review the onboarding process for new employees to ensure it adequately prepares them for their roles and integrates them into the organization. <p><u>Development Opportunities</u></p> <ul style="list-style-type: none">▪ Career Development: Evaluate opportunities for career development and progression within the organization to retain and develop talented staff. <p>Conduct Competency Assessments</p> <p><u>Staff Competency Reviews</u></p> <ul style="list-style-type: none">▪ Competency Assessment: Perform competency assessments of current staff to identify any skills gaps or areas of improvement.▪ Performance Metrics: Analyze performance metrics to assess how well staff are meeting job requirements and project goals. <p><u>Feedback Mechanisms</u></p> <ul style="list-style-type: none">▪ Employee Feedback: Collect feedback from employees regarding the recruitment process, training, and their ability to perform their roles effectively.▪ Managerial Feedback: Obtain feedback from managers about the competency of their teams and any challenges related to staffing and recruitment.
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